



STAR DELTA TRANSFORMERS LTD.

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Risk Management Policy

Introduction

This Policy is a formal representation of Star Delta Transformers Limited commitment to Risk Management Policy Statement.

Star Delta Transformers Limited is committed to ensuring that risk management practices are entrenched into all business processes and operations to drive consistent, effective, and accountable action, decision making and management practice.

Purpose

The Company recognizes that management has a responsibility to identify and address all threats and opportunities associated with the provision of safe and healthy operating environment for all employees, the stakeholders involved and the community.

Management undertakes to co-operate and consult with employees and external stakeholders, to ensure that the risks associated with the Company are formally identified, assessed, and managed in accordance with this Policy. The development and dissemination of this Policy is intended to:

- Promote an awareness of the major risks to which the company is exposed;
- Develop an understanding Risk Management Framework and the importance of risk management.

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organization continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- A strategic focus.
- Forward thinking and active approaches to management.
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realised.



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In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks *inter alia* are: Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

Legal Framework

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improve the governance practices across the business activities of any organisation. The Companies Act, 2013 and the Clause 49 of the Equity Listing Agreement have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall *inter alia* include evaluation of risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "Risk Management Policy" (this Policy) of the Company.

Applicability

This Policy applies to all areas of the Company's operations.

Risk Factors

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

External Risk Factors

- Economic Environment and Market conditions
- Political Environment
- Competition
- Revenue Concentration and liquidity aspects
- Inflation and Cost structure - Inflation is inherent in any business and thereby there is a tendency of costs going higher.



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- Technology Obsolescence –The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.
- Legal –Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

Internal Risk Factors

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

Responsibility For Risk Management

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

Compliance and Control

All the Senior Executives under the guidance of the Chairman, and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

Review

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

Amendment

This Policy can be modified at any time by the Board of Directors of the Company.

For Star Delta Transformers Limited

Sd/-

Kishore Gupta (DIN: 00014205)

Chairman and Managing Director

